

FAR EAST-AMERICA COUNCIL
OF
COMMERCE AND INDUSTRY, INC.

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NOT FOR RELEASE
BEFORE 5:00 p.m.
FRIDAY OCTOBER 9TH

ADDRESS GIVEN BY H. E. THE AMBASSADOR OF JAPAN

MR. EIKICHI ARAKI

AT THE JAPAN SESSION OF THE FAR EAST CONFERENCE

OF THE FAR EAST-AMERICA COUNCIL OF COMMERCE AND INDUSTRY, INC.

ON FRIDAY AFTERNOON OCTOBER 9TH 1953

IN THE WALDORF-ASTORIA HOTEL

NEW YORK CITY

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"THE FAR EAST AND JAPAN"

Mr. Chairman, Ladies and Gentlemen:

I am happy to have been given this occasion to meet and talk with you concerning the current difficulties in Asia. That so many busy people have given their time to the consideration of the troubles of the Far East is gratifying to me personally and, I believe, augurs well for the future of the Orient.

While many of these problems seem so difficult as to be almost insoluble, the attainment of understanding by men and women of good will is certainly a necessary first step toward their resolution. I must confess that I am of that school of optimists which believes that human intelligence, properly directed and applied, can accomplish tomorrow what appears to be impossible today. For the nations of the Far East, including Japan, the way ahead is steep and rocky, yet I am convinced that each step can be a step upward if all those concerned are determined that it be so.

We have recently seen the accomplishment of one step along that road -- the achievement of an armistice on the war-torn peninsula of Korea. It is to be fervently hoped that this peace, uneasy though

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it may now be, will lead the way toward the eventual settlement of all armed conflicts in Asia. Military aggression is the least likely way to solve the many problems of the East which are crying for solution.

An old Japanese proverb says "When force pushes on, reason draws back". And reason is the urgent requirement of the day in Asia -- reason which will promote the improvement of the prevailing low living standards, the development of unused natural resources, the effective use of the vast Asiatic manpower, the necessary accumulation of capital goods, and the eclipse of the philosophy of fatalism. Peaceful cooperation and understanding between the nations are to be encouraged in order to bring about a climate in which the world, including the Far East, may grow and prosper.

Today I shall confine my remarks to matters in the economic field. While "man does not live by bread alone", the inescapable fact is that the predominant problem of Asia is the attainment and maintenance of a decent livelihood by the masses of Asiatics. Intellectual and spiritual considerations are not to be ignored but they must follow, or at the most accompany, economic progress.

You have already discussed the problems of areas of the Far East other than Japan. Most of these nations need agricultural improvements and fertilizers to increase production for home use and export; they need capital and "know-how" to assist in the development of their resources; they need local industries to provide employment for many hands and products for their own use and for foreign trade; they need technical education to improve the skill and efficiency of their labor forces; in short, they need most of the things which operate to produce economic stability at levels high enough to ensure political stability.

In some ways the needs of the other Asiatic free nations parallel the needs of Japan. For instance, in order to maintain her progress toward respectable self-support, Japan also requires capital and technological improvement. But in many ways, Japan's requirements are complementary to the requirements of the other countries in the Far East. While they want industrial products, such as transportation equipment, fertilizers, machine tools, communications apparatus, electric motors and many other products of modern industry, Japan needs foods and raw materials, such as rice, soybeans, iron ore, coal, rubber, cotton, and the countless other materials upon which her industrial capacity depends. Thus there exists in the Far East the basis for a natural partnership whereby all the partners may gain that economic well-being which will help to keep them free.

Japan is eager to assist in the economic development of the other non-Communist nations in Asia. The people of Japan realize that the destiny of their country is bound, for better or worse, to the destinies of her neighbors in the Far East. They recognize that the best weapon against the further encroachments of godless Communism is the establishment of a cooperative front of thriving, economically sound, sovereign nations in Asia.

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Therefore Japan stands ready to provide the other Far Eastern nations with their requirements for capital goods, if need be, on long-term credit. She is anxious to supply the equipment and technical experts necessary to the development of their natural resources. She will consider, within her limited capacity, capital investment to help in that development.

Japan desires a reasonable solution to the difficult problem of reparations, which has tended to retard the realization of friendly relations with some countries of the East, and Japan is willing at all times to negotiate any settlement which would be in accord with the spirit of The Treaty of Peace signed at San Francisco.

The Japanese Government is prepared to confer on means to clear the channels of trade in the Far East to the end that quota limitations and tariff barriers may be revised to permit a freer flow of materials. Insofar as monetary restrictions are concerned, Japan must be exceedingly careful to prevent her own bankruptcy in any of the international currencies. However, a relaxation of the stringent foreign exchange controls in effect throughout the world is to be earnestly striven for. My country hopes gradually to relax her exchange controls in concert with the other nations, both in Asia and the West. Intra-regional conferences to work out plans of mutual economic cooperation would be welcomed by Japan. The Japanese people are ready to contribute in every possible way to the advancement of prosperity in the Pacific.

However, before my country can fully participate in the building of a strong and free Asia, it is necessary that many grave and perplexing problems of her own be met and overcome. Most of these difficulties are in the field of foreign trade -- and naturally so. It is no exaggeration to say that foreign trade is the very life-blood of Japan. Japan's present population of 85 million persons resident in four small islands, whose total area is less than that of the State of California, has created a population density of more than 580 persons per square mile. This density compares with the United States' average of 50 persons per square mile in 1950.

Obviously, even if these islands were rich in agricultural land and natural resources -- which unfortunately, they are not --, Japan could not be self-sufficient. Twenty percent of the food consumed by the Japanese people -- and their diet is not overly rich, I can assure you -- must come from abroad. The bulk of Japan's raw material requirements cannot be obtained locally. To acquire foods and basic commodities, it is essential that Japan export her products in large quantities. For only thus can she provide the means to feed and clothe her people and maintain her industrial establishment.

In order successfully to compete in world markets, Japan's facilities for industrial production require a renovation. While much of the reconstruction consequent to the devastations of the Pacific War has been accomplished, much more remains to be done, particularly in the field of productive techniques. Many Japanese production processes are inefficient by present-day standards because of the development of new

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methods and techniques in other parts of the world while Japan was out of touch. As a result, Japan urgently needs assistance in the modernization of her basic industries. Help of this nature from the productive genius of United States industry would be most welcome.

Another area in which American "know-how" would be of great assistance is in the use of Japan's labor force. Although much loose talk has been circulated as to unfair competition by Japanese "cheap labor", a study of the fact would reveal that unit labor costs in Japan are not low but instead are, in many industries, comparatively high, thereby placing Japan at a disadvantage. This is not said in disparagement of the average Japanese working man, who is skillful and hard-working and of whom we are justly proud.

Long-term capital investment of some magnitude is also required if Japan is to gain economic solvency. The modernization of industry, which I mentioned previously, cannot take place without heavy investment. And in order to take advantage of the one natural resource which Japan possesses in abundance -- Potential Hydro-electric power -- funds must be found to build the large dams, power plants, and transmission lines which will put this now-wasted energy to work.

While domestic capital formation in a country as poor as Japan is a long and slow process, I am happy to state that steady progress is being made in our efforts to accumulate Japanese capital for investment purposes. But there still remains a critical need for capital investment from abroad. I might urge those of you who are interested in investment overseas on favorable terms to investigate the possibilities in Japan.

My country is fortunate in the possession of a stable political environment which lessens the risk involved in foreign investment. The people of Japan are inherently conservative and take pride in meeting their obligations. This is demonstrated by the fact that Japan last year entered into agreements with the holders of pre-war Japanese bonds for their repayment, including accrued interest. I would also like to point out that the laws of Japan have recently been revised to make more attractive the opportunities for foreign investors.

Another impediment to Japan's trade since the war has been the comparatively higher prices she must pay for imported foods and raw materials. Prior to the war all of Japan's food import requirements and the bulk of her raw material requirements were provided from the other areas of Northeast Asia. For example, rice was imported from Korea and Formosa; iron ore and coal from Manchuria and China. The short haul involved was advantageous and kept prices down. Now Japan must look to sources much further away; iron ore and coal from the United States and India, rice and wheat from Southeast Asia and the United States. The long ocean transportation is costly and inevitably places Japan at a disadvantage in competitively pricing her exports.

The time lag involved makes Japan more subject to price fluctuations in world markets and places a heavier financial strain upon the business community by tying up available credit over longer periods. This

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shift in the sources of required imports had a markedly adverse effect upon Japan's trading position.

As a maritime and trading nation, Japan is especially adversely influenced by the various restrictions upon the freer flow of international trade. Not being a member of any particular economic bloc, practically all of these limitations upon trade bear either directly or indirectly upon my country. High tariffs, import and export quotas, foreign exchange controls -- all these might be said to be the bane of our existence. As time goes by, we hope and pray that these devices, which are designed to channel trade -- and to channel it away from Japan in many cases --, will be gradually eliminated.

The foreign trade policy of the United States, the greatest economic power in the world today, is of vital importance to all the free nations, including Japan. Particularly significant for my country is your policy on the admission of imports from abroad. For the only possible way Japan can pay for the large quantities of foods and raw materials which she imports from the United States is by the export in turn of her commodities to your country. Therefore, the people of Japan are anxiously awaiting the decision of the President's Commission on United States' Foreign Economic Policy.

Their anxiety is easily understood when one considers that during 1952, Japan's deficit in dollar trade was \$600 million. And the trend this year is toward a greater "dollar gap". Had it not been for military procurement in Japan in support of United States' forces there and United Nations forces in Korea, which procurement has "invisibly" balanced Japan's dollar trade, she would have been bankrupt dollar-wise months ago. This kind of a balancing item is obviously temporary in nature and cannot long be depended upon. Japanese exports to the dollar area, and to the United States in particular, must expand to fill the gap as military procurement tapers off. Hence our intense interest in the forthcoming recommendations of the Commission headed by Mr. Randall.

While the picture I have painted is black, tinted with gray, I am still as much of an optimist as I was twenty minutes ago.

The problems of the Far East will be solved simply because they must be solved. I have confidence in the wisdom and statesmanship of the leaders of your country, of my country, and of the other free nations of the world. And I have faith in the friendship and good will of the free peoples who stand behind those leaders.